

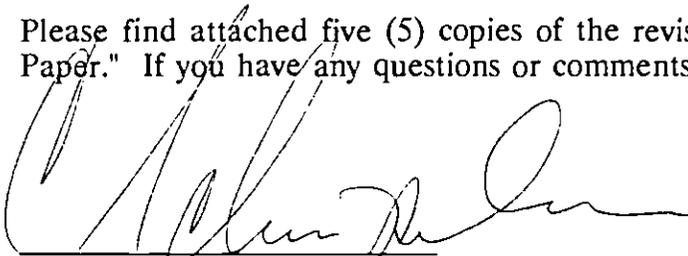
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Awaiting Final
2/28/89

MEMORANDUM

TO: Gary S. Spivack
FROM: Charles C. Schimpeler
DATE: February 28, 1989
SUBJECT: Delivery of the "Assessment Structure Options White Paper."

Please find attached five (5) copies of the revised "Assessment Structure Options White Paper." If you have any questions or comments, please do not hesitate to call.



CHARLES C. SCHIMPELER

cc: David McCullough
Dana Woodbury
Carol Inge

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GENERAL PLANNING CONSULTANT:

ASSESSMENT STRUCTURE OPTIONS WHITE PAPER

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Prepared for:

Southern California Rapid Transit District

Prepared by:

Schimpeler-Corradino Associates
Cordoba Corporation

February, 1989

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ASSESSMENT STRUCTURE OPTIONS

1. INTRODUCTION

This paper reviews a number of alternative program structures for the Southern California Rapid Transit District (SCRTD) Metro Rail Phase II Benefit Assessment Program. Prior to implementation of the Phase II Benefit Assessment Program, a number of elements must be defined regarding such factors as method for assessment measurement, types of land uses to be assessed, exemptions to the program, use of internal zones, timing and level of assessment rates, and appeals to assessments. This report discusses options for these program elements. As a point of reference, the approach taken for the MOS-1 Metro Rail Benefit Assessment Program and the recommendation for boundary options are also included as attachments. A recommendation is presented for each program element for consideration by the Phase II Benefit Assessment Task Force.

The underlying basis for the SCRTD Benefit Assessment Program is the realization that properties near the Metro Rail stations will realize monetary benefits from development of the Metro Rail system. Other papers have been written or will be presented regarding this relationship, so this paper will not review this subject in detail. The program elements selected for the Phase II Benefit Assessment Program must, however, take into account the relationship of assessment program options to benefit as it applies to each of the options.

2. SUMMARY RECOMMENDATIONS

Based on a review of various assessment program options, this paper offers for consideration by the Phase II Benefit Assessment Task Force (BATF) the following recommendations for the structure of the Phase II Benefit Assessment Program:

1. An improvement which is in use as office, commercial (including service businesses), retail, restaurant, hotel or motel be considered assessable.
2. All parcels, except those specifically exempted, be considered assessable.
3. Assessment rates should not vary between different types of land uses.
4. Residential properties should not be assessed, including that portion of residential hotels with long-term residents.

5. That portion of a structure (improvement) used for parking should not be assessed, although the parcels on which parking structures are located and surface parking lots should be assessed on the basis of parcel area. The square footage of parking that is developed as part of a full development and the square footage of stand alone parking structures, either privately or publicly owned should be treated in the same manner wherein this square footage is not used in the calculation of assessments.
6. Property that is publicly or non-profit owned and publicly or non-profit used should not be assessed. Qualified non-profit organizations should include those defined by Sections 202, 203, 206, 207 and 214 of the California Revenue and Taxation Code.
7. Property in use as private offices, commercial, retail sales, and motel/hotels located in a publicly owned building should be assessed.
8. Privately owned and publicly used facilities should be assessed.
9. Buildings which are less than 80% efficient should be given a reduction in assessment in proportion to their inefficiency. The efficiency of a building is determined by dividing the area of the building which is rentable by the gross square footage. This would lower the assessment for buildings with large atriums and lobbies.
10. Square footage measurements for parcel area should be developed based on tax assessor maps and other public records.
11. Square footage of improvements should include gross square footage of all assessable structures and should be based on public records.
12. Benefit assessments should be based on the square footage of the parcel area or the square footage of the improvement, whichever is larger.
13. For properties with a mixture of assessable and exempt land uses, the assessment should be determined on the basis of the percent of the improvement that is assessable multiplied by either the square footage of the parcel, or the total square footage of the improvement, whichever is greater for a given property. For properties that contain both assessable improvements and non-assessable improvements, the assessment shall be determined on the basis of the assessable square footage of the improvement or the square footage of the parcel, whichever is greater for a given property.
14. There should be only one assessment rate for either the parcel or the improvement.

15. Internal zones should be considered by the Phase II Benefit Assessment Task Force for inclusion in the Assessment Program, wherein the Premium Zones (closest to station) are assessed at a higher rate than the Secondary Zones (surrounding the premium zones).
16. Rates for each assessment district should be reviewed at a minimum every two years and adjusted either upward or downward to reflect the addition of new development to the assessment base or provide for early retirement of the bonds. New development should be added to the assessment rolls as Temporary Certificate of Occupancy Permits¹ are issued.
17. The Phase II Benefit Assessment Task Force should consider whether assessment revenues should be applied strictly to bonds for capital costs and program administration costs or also to cover Metro Rail operating and maintenance costs.
18. The Phase II Benefit Assessment Task Force should consider either deferring implementation of the benefit assessment program until all other funding commitments have been secured by a Letter of Intent or establishing an escrow fund where assessments are invested until all financing commitments are completed.
19. The established Appeals Program should be expanded to include the Phase II Assessment Program.

Other Recommendations

1. Consideration should be given by the Phase II Benefit Assessment Task Force to the phase-in of rates for the initial years of the Phase II Assessment Program or establishing a "Pay as you go" financing program whereby a majority of the required funds are available when needed therefore requiring little of no financing.
2. Assessment rates should be set consistent with the design of the overall assessment program and appropriate assumptions regarding the bond issue.

¹A permit that is issued as a building is leased. It is issued prior to the whole building being occupied.

3. CRITICAL ASSESSMENT STRUCTURE ELEMENTS

A number of options exist for the implementation of the Benefit Assessment Program for Phase II of Metro Rail. The Program must be related to the anticipated benefits for the Phase II station areas, but a number of program elements can be tailored to the specific circumstances surrounding the Phase II Metro Rail Program. Types of program elements that may vary include:

- o treatment of various land uses
- o treatment of parcel and improvement
- o types of exemptions
- o use of internal zones
- o uniform rates versus phase-in of rates
- o rate adjustments for changes in the district
- o revenue needs/use of the assessment revenues
- o rate options and revenue implications
- o assessment collections
- o appeals

The following sections discuss these various program elements and variations that may be considered.

3.1 Treatment of Land Uses

An assessment program may assess all improvements equally or may draw distinctions between different types of improvements. The documented experiences in other North American cities with major rapid transit systems suggest that owners of real property and proprietors of office and other commercial activities, retail sales, hotels and motels are the prime beneficiaries from a rail transit project. In addition, tenants, visitors and employees located in the vicinity of Metro Rail stations should enjoy a wider variety of retail shopping and entertainment opportunities as well as the improved accessibility and convenience offered by the transit system. Employers may experience greater visibility and subsequent improvement in employee recruitment and retention. Specific benefit to the Phase II area is discussed in the paper, "Preliminary Estimate of Monetary Benefits Phase II Metro Rail Stations 1989-2020." It is recommended that improvements used as office, commercial, retail, hotel or motel be assessable uses.

Research has shown that monetary benefits will accrue to the value of land near Metro Rail stations, even if the land is not developed in the category classified as the prime land use beneficiaries. For example, although an industrial use may not be a prime beneficiary of Metro Rail, the parcel on which it is located will benefit and this benefit will be realized when the parcel redevelops. In order to capture a portion of the added land value and to encourage development of vacant sites near Metro Rail, it is recommended that vacant parcels and those developed with improvements not classified as office, commercial, retail and hotel/motel be assessed on the basis of the parcel area.

There is significant evidence to show that the recommended assessable land uses will benefit, but the ability to precisely differentiate levels of benefit received among these land uses is limited due to other factors which may affect land values. It is recommended that there be one assessment rate for the land use types. The use of a single rate among land uses has the added benefit of creating a uniform and easily understandable method for rate calculation.

Due to their unique characteristics, certain land uses deserve special consideration for a benefit assessment program. These land uses are discussed below.

3.1.1 Residential

Although there is some evidence to indicate that residential properties will benefit from the proximity to rail transit stations, there is a prior stated position of the SCRTD Board of Directors in opposition to the assessment of residential properties. The City of Los Angeles voters approved Charter Amendment 7 which states that the City may not approve a rail rapid transit benefit assessment district if it proposes to assess properties in residential use or under construction for residential use before April 9, 1985. Assessment of residential properties which were developed after April 9, 1985 could create an equity problem, in that similarly situated properties would not be similarly treated.

Based on a preliminary analysis, if apartments were assessed at the \$0.26 per square foot rate, the increase on the duplex with an average parcel size of 7,280 square feet in a sample Phase II area would be \$79 per month per unit; \$56 per month per unit for a triplex with a 7,800 square foot parcel; and \$44 per month per unit for a fourplex with a 8,160 square foot parcel. These assessments would represent an average increase in rent of 6 to 10 percent for a typical two-bedroom \$750 a month apartment located within the sample area. The present Rent Stabilization Law, however, does would not allow the assessment to be passed through to the tenant.

It is recommended that residential properties not be included in the land uses to be assessed for Phase II. Hotels with long-term residents should be classified as residential for that portion of the hotel containing long-term residents.

3.1.2 Parking

Monetary benefits for parking structures have not been identified for other transit systems across the country. In fact, one of the objectives of rail transit systems is to promote the use of the transit system thereby reducing usage of the private automobile in congested areas. While certain parking structures may realize increased demand due to Metro Rail park-and-ride patrons, it would be difficult to precisely identify the extent to which this parking demand can be attributed to Metro Rail versus the extent to which people have chosen not to utilize their automobile thereby decreasing demand for public parking.

Given the inability to demonstrate monetary benefits directly attributable to Metro Rail for parking structures near Metro Rail stations, it is recommended that parking structures not be assessed for the Phase II Assessment Program. It is further recommended, however, that the land on which the parking lot or parking structure is located be assessed as is the parcel for other non-assessable uses.

3.1.3 Building Efficiency

The assessment of gross building area creates significant problems in older buildings that are, by modern standards, considerably less efficient. Building efficiency is determined by dividing the rentable area by gross building area. Older buildings are less efficient than modern office buildings. Efficiency below 80% denotes a materially different layout and character of the building. Not all older buildings are less than 80% efficient; the building would also have to have an unusual layout with a large interior open space. The Hollywood area has numerous historic buildings within a designated historic area. It is possible that buildings in this area could be less than 80% efficient. It is recommended that consideration be given to a reduction in assessment for a building with less than 80% efficiency which is proportionate to the building's decreased efficiency.

3.1.4 Exemptions

Certain properties may be identified as exempt from assessment for policy reasons or due to the presumption of no monetary benefit. Properties identified for exemption include:

1. Residential property, as discussed in Section 3.1.1, and
2. Publicly or non-profit owned and publicly or non-profit used.

It is recommended that properties that are publicly owned and publicly used should be exempted from the Phase II Program. The Los Angeles City Council defined qualified non-profit organizations which are entitled to exemption from benefit assessments to include only charitable not-for-profit organizations. These entities are defined by Sections 202, 203, 206, 207 and 214 of the California Revenue and Taxation Code. Specific examples include non-profit schools, museums, libraries, churches and hospitals. A broader definition of non-profit use would allow non-profit social clubs, business organizations and similar institutions to be exempt from benefit assessment. It is recommended that only charitable not-for-profit organizations as defined by the City Council of Los Angeles be exempted from the Phase II Benefit Assessment Program.

3.1.5 Income Producing Rule

Property in use as office, commercial, retail sales, and motels/hotels is expected to benefit from the location of Metro Rail stations in proximity to these land uses. It is assumed that these uses will benefit even if they are located in non-profit or publicly owned buildings (e.g., the shopping mall in the downtown Los Angeles Civic Center). Privately owned and publicly used facilities (e.g., RTD's use of a private office building as its headquarters) should be assessed for the Phase II Benefit Assessment Program. Conversely, a publicly owned building which is privately used in one of the listed categories should have the only portion assessed which is privately used. A non-assessable use such as an industrial use in a publicly owned building or on a publicly owned parcel would not be assessed. At times a non-profit or publicly owned and used building will have supportive commercial uses such as a cafeteria located within the building. If these supportive commercial uses are for profit, then the square footage should be subject to assessment. It is recommended that this income-producing rule be applied to offices, commercial, retail sales and motels/hotels, whether located within a privately, non-profit, or publicly owned building, for the Phase II Program.

3.1.6 Mixture of Assessable and Exempt Property

At times, improvements may contain a mix of assessable and exempt land uses. Assessment amounts for such properties could be based on a methodology which prorates the portion of the parcel size which is assessable, then compares this figure with the total assessable square footage of the improvement. The assessment is then based on the larger of the assessable portion of the parcel or the improvement. Parcel size would be prorated using the following formula:

$$\text{parcel size} \times \frac{\text{non-exempt square footage in improvement}}{\text{total square footage in improvement}}$$

This prorating approach provides an equitable distribution and should be applied in the Phase II Program.

3.2 Parcel and Improvement

Section 33000 et seq., of the Public Utilities Code -- the SCRTD enabling legislation for the benefit assessment program -- states that assessments are to be based on the parcel area of unimproved real property and the parcel area and floor area of real property and improvements thereto, as deemed appropriate by the SCRTD Board of Directors. Use of gross square footage for the measurement of improvements allows for the use of public records to make such calculations and creates a consistent means of measurement among structures.

There are a number of options or combinations of options which the Task Force could consider when determining the assessment methodology for Phase II. Two options which will be discussed in this paper are:

1. A single assessment rate for parcels and improvements; only the larger square footage of either the parcel or improvements would be used to calculate assessments; and
2. A single assessment rate for parcels and improvements; both the parcel and the improvements would be used to calculate assessments.

Option 1

This option provides for one rate for either the parcel or the improvement, whichever is greater. This approach provides a methodology by which lower density developments would not be more heavily burdened with assessments. Since the Phase II area is not intensely developed (in most cases the parcel sizes are larger than the improvements), this option would provide an equitable approach to the assessment of property. This option recognizes that benefits accrue to both the land and improvements and has the advantage of encouraging orderly land development. This method, having a uniform rate, is also the easiest to administer.

Option 2

Under this option, developed parcels would pay an assessment rate for the parcel and an assessment rate per square foot for the improvements. Thus, an office building would be assessed on its improvement square footage and on the parcel area. A warehouse and parking structure would only be assessed for the parcel area as would vacant property. Benefits related to density e.g., increased sales, occupancy, lease rates are reflected in the assessment formula. A parcel developed for office use to an FAR of 6 will generate substantially more assessment revenue than an identical parcel developed to a FAR of 3. The increment of assessment charged against the parcel will be spread over more leasable square feet in the denser developments, however, the incremental effect of the parcel assessment is small compared to the building assessment except for very low densities. This method places a greater burden on the lower density development on large lots. It provides an incentive to develop at greater densities in order to lessen the impact of the assessment on the rents per square foot which must be charged to recover the cost of the assessment. The Phase II area is predominately developed with low density buildings particularly when compared to the CBD. In many cases, the parcel area is greater than the improvement area in the Phase II station areas.

It is recommended that Option 1 be considered for the Phase II Benefit Assessment Program Since the majority of development in the Phase II area is low intensity with the parcel area generally being larger than the square footage in the buildings. Option 1 recognizes that benefits accrue to the parcel and the improvements yet does not place a heavy burden on lower intensity development. If a program were adopted wherein the parcel and improvement square footage values were added together to form the basis for the assessment, the parcel square footage value would represent a sizeable portion of the assessment for the lower density development and a smaller portion for the higher density developments.

3.3 Internal Zones

Under Section 33001 of the Public Utilities Code, the benefit assessment program can incorporate different zones (defined geographic areas) within a benefit assessment district to reflect potentially differing levels of benefits received throughout the district. There is some evidence to suggest that the level of monetary benefit decreases as distance from the station increases.

One approach would be the creation of two internal zones -- a premium zone close to the station and a secondary zone in an outer ring surrounding the premium zone. Under this alternative, the rates within each zone would be set to reflect potentially differing level of benefits occurring between the zones, with higher assessment rates for the premium zones.

Table 1 shows the land use make-up for one approach to this two internal zone concept. Square footage numbers are provided for all of the eleven Phase II stations, and the square footage is split into two zones:

1. Premium zone including those blocks that have a block face that touches a Metro Rail station, and
2. Secondary zone consisting of the outer ring around the internal zone up to the one-half mile walk rule boundary, as described in Attachment A of this paper. (Map 1 shows an example of a premium zone and a secondary zone for one station area.)

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TABLE 1

LAND USE CATEGORY	PREMIUM ZONE (% of total land use in districts)	SECONDARY ZONE (UP TO 1/2 MILE WALK BOUNDARY)
OFFICE	7,396,192 (43%)	9,932,215
HOTEL/MOTEL	93,444 (3%)	3,141,980
RETAIL/ RESTAURANT/ COMMERCIAL	714,541 (8%)	8,794,299
SERVICE	310,464 (8%)	3,439,981
INDUSTRIAL WAREHOUSE	181,971 (5%)	3,193,086
OTHER	<u>5,071,199</u> (38%)	<u>8,214,346</u>
TOTAL	13,767,811 (27%)	36,715,907

Source: General Planning Consultant

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Note that this particular internal zone configuration would involve a higher assessment rate for over 40 percent of the office space and over one-third of the "other" (includes principally parking lots and vacant land) land use categories contained within the one-half mile walking distance boundaries for the eleven Metro Rail stations.

Other zone configurations may also be worthy of consideration, e.g., inclusion in the premium zones of only those blocks containing a Metro Rail station portal, or expansion of the premium zone to include a larger coverage of close-in blocks.

There is significant evidence to show that monetary benefits will be realized for properties located in the proximity of Metro Rail stations. The ability to precisely differentiate levels of benefit within premium and secondary zones is somewhat limited, based on the existing documentation of benefits in other North American communities. While properties in close proximity to the stations may potentially anticipate a higher level of monetary benefits than those properties more distant, the closer properties also will be the most negatively impacted during the Metro Rail construction phase. A single zone system would generally compensate for this situation. In addition, a two zone approach is more difficult to explain to the affected public and would be more complicated to administer.

It is recommended that the Phase II Benefit Assessment Task Force consider a tiered internal zone approach to better reflect what appears to be a relationship between benefits and distance to the station.

3.4 Uniform Rate Versus Phase-in of Rates

Benefits associated with the implementation of a rail transit system do not necessarily occur at once but are related to various phases of transit system planning and construction. This cycle of land use impact begins when the market becomes convinced that the transit project will take place. Other events that may influence the market response include the first visible signs of construction and related public announcements, the beginning of testing operations, and the opening day for the system segment or station. Maximum benefits are anticipated following a few years of system operation. For these reasons, it can be argued that a phase-in of rates for the assessment program may be more consistent with the generally anticipated timing of benefits.

Some monetary benefits (e.g., increased land values) are expected to occur even in the initial years of the system. For this reason, and given the cost of capitalization of interest due to deferred assessment payments, one option is to phase-in the assessments over a period of time, starting with a lower rate that increases over the construction period. The impacts of starting the assessments in 1990 versus 1996 are discussed in Section 3.7 of this paper.

3.5 Rate Adjustment for Changes in the District

Procedures for handling new development within defined benefit assessment district boundaries also require consideration. Two options appear possible: 1) adjusting assessment rates (typically downward) within a district to maintain a constant revenue stream, or 2) maintaining a constant assessment rate and utilizing additional revenues generated by new development to retire bonds on an accelerated schedule.

New development is added to the assessment rolls as temporary occupancy permits are issued. Thus, for buildings under construction, the benefit assessment rolls would be updated as stages of construction are completed and would reflect the current amount of space available for occupancy. The portion of an assessable improvement that is available for occupancy and added to the assessment rolls would be assessed during the next assessment cycle. This approach would be the most equitable and, therefore, is recommended for the Phase II Program.

3.6 Revenue Needs/Use of the Assessment Revenues

Table 2 shows the funding plan for Phase II of Metro Rail. Under this plan, benefit assessment revenues are to raise \$75 million (3 percent of the capital cost) for Phase II. This is compared to \$130.3 million (11 percent of the capital costs) for MOS-1.

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TABLE 2

FUNDING LEVELS FOR METRO RAIL PHASE II
[MILLIONS OF CURRENT DOLLARS]

STATE (CTC)	\$301.9 (14%)
LOS ANGELES COUNTY	508.9 (23%)
LOS ANGELES CITY	124.0 (6%)
BENEFIT ASSESSMENT	75.0 (3%)
UMTA SECTION 3	666.3 (30%)
OTHER FUNDS	<u>519.2 (24%)</u>
 TOTAL	 \$2,195.3 (100%)

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The enabling legislation allows for assessment revenues to be applied to both capital and operating costs. The Phase II Task Force should consider whether revenues should also be applied strictly to bonds for capital and program costs or also to operating and maintenance costs for Metro Rail.

3.7 Rate Options and Revenue Implications

The enabling legislation, Public Utilities Code 33000 et seq, requires that revenue collected in a benefit assessment district be directed toward the station(s) in that benefit assessment district.

The level of financing required to fund the \$75 million is dependent on the point in time in which the assessment is actually implemented. The range can vary all the way from zero financing, i.e., paid entirely with the assessment, to a completely financed program in which the assessment is deferred until after construction is completed. At this time, funds from Benefit Assessment for construction of Phase II are anticipated to be needed beginning in 1993 and ending in 1996 with funding for construction required in the following sequence:

1993	\$20 million
1994	\$20 million
1995	\$15 million
1996	<u>\$20 million</u>
	\$75 million

The alternative methods for funding the benefit assessment portion of Phase II of Metro Rail provide a range of funding strategies varying from a pay-as-you-go program to a long term (23 year) bonding program. Included in each of the alternatives is an administrative cost and, when required, a cost of issuance for bonds. In addition, the use of Revenue Anticipation Notes (RAN) was limited to two years or less. Additional alternatives were analyzed, e.g., multiple short-term bonds, a combination of short-term and long-term financing, various growth scenarios, etc.; however, for the sake of consistency, the following five (5) alternatives summarize the basic range of possibilities. Internal zones have not been assumed for these calculations.

Financing Strategy 1 -- Self-funding Program

Strategy 1 would begin the assessment program in 1990, with the first collections in December, 1990, and subsequent transfers to the RTD beginning in early 1991. Thus actual cash flow would begin in 1991. Table 3 shows the actual cash flow that would occur with a \$0.25 per square foot assessment for the first five years and a \$0.23 per square foot assessment for year 6, using the one-half mile walk distance boundary (50.48 million square feet) with no growth in the square footage during the assessment period.

Under this program, no bonding would be required, therefore, no interest payments would be required, and there would be an interest accrual to the benefit of the program. The assessment program would be paid off in six years with an assessment of approximately \$12.62 million per year for five years and \$11.6 million in year 6. The total revenue collected would be \$74.71 million, with a net present value (1990) of \$57.55 million.

Financing Strategy 2 -- Short-term (RAN) Financing Program

The assessment for Strategy 2 would begin in 1991, with the first collections in December, 1991, and subsequent transfers to the SCRTD beginning in early 1992. Actual cash flow would begin in 1992. Table 4 shows the actual cash flow that would occur with a \$0.26 per square foot assessment using the one-half mile walk distance boundary (50.48 million square feet) with no increase in the square footage during the assessment period.

This program would realize a cumulative shortfall of \$1.4 million in 1994; \$3.8 million in 1995; and \$11.6 million in 1996. The amounts needed to bridge the shortfall could be obtained through short-term borrowing, using a Revenue Anticipation Note (RAN) which carries a lower interest rate than long-term bonds. This assessment program would be paid off in six years, with an assessment of approximately \$13.12 million per year. The total revenue collected would be \$78.75 million with a net present value (1990) of \$56.03 million.

TABLE 3

BENEFIT ASSESSMENT RATE CALCULATIONS
NOS-2 ONE/HALF MILE WALK

FISCAL YEARS		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
FUNDS REQUIRED EACH YEAR	\$M	0.00	0.00	20.00	20.00	15.00	20.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ADMIN. COSTS INFLATED BY 4%/YEAR	\$M	0.50	0.52	0.54	0.56	0.58	0.61	0.00	0.00	0.00	0.00	0.00	0.00	0.00
RAN PAYMENT + INTEREST AT 8%		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL OBLIGATIONS EACH YEAR	\$M	0.50	0.52	20.54	20.56	15.58	20.61	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BEGINNING BALANCE	\$M	0.00	12.12	24.55	17.64	10.86	8.68	0.00	0.00	0.00	0.00	0.00	0.00	0.00
REVENUE ANTICIPATION NOTE (RAN)	\$M	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INTEREST EARNED ON BALANCE 5.5%	\$M	0.00	0.33	1.01	1.16	0.78	0.54	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ASSESSMENT INCOME	\$M	12.62	12.62	12.62	12.62	12.62	11.61	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL FUNDS DURING YEAR	\$M	12.62	25.07	38.18	31.42	24.26	20.83	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING BALANCE (FUNDS - OBLIGATIONS)	\$M	12.12	24.55	17.64	10.86	8.68	0.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SQUARE FOOT SCHEDULE (M's) NO GROWTH		50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48
INCOME EXPECTED	\$M	12.62	12.62	12.62	12.62	12.62	11.61	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(TOTAL INCOME NEEDED = 74.71)														
ANNUAL ASSESSMENT RATE \$/SQ. FT.		\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.23	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL ASSESSMENTS PER SQ. FT.	\$1.48													
PRESENT WORTH AT 8%	\$1.14													

TABLE 4
BENEFIT ASSESSMENT RATE CALCULATIONS
MOS-2 ONE/HALF MILE WALK

FISCAL YEARS		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
FUNDS REQUIRED EACH YEAR	\$M	0.00	0.00	20.00	20.00	15.00	20.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ADMIN. COSTS INFLATED BY 4%/YEAR	\$M	0.00	0.50	0.52	0.54	0.56	0.58	0.61	0.00	0.00	0.00	0.00	0.00	0.00
RAN PAYMENT + INTEREST AT 8%		0.00	0.00	0.00	0.00	1.51	4.10	12.53	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL OBLIGATIONS EACH YEAR	\$M	0.00	0.50	20.52	20.54	17.07	24.69	13.14	0.00	0.00	0.00	0.00	0.00	0.00
BEGINNING BALANCE	\$M	0.00	0.00	12.62	5.58	0.06	0.07	0.11	0.00	0.00	0.00	0.00	0.00	0.00
REVENUE ANTICIPATION NOTE (RAN)	\$M	0.00	0.00	0.00	1.40	3.80	11.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INTEREST EARNED ON BALANCE 5.5%	\$M	0.00	0.00	0.35	0.50	0.16	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ASSESSMENT INCOME	\$M	0.00	13.12	13.12	13.12	13.12	13.12	13.12	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL FUNDS DURING YEAR	\$M	0.00	13.12	26.10	20.60	17.14	24.80	13.24	0.00	0.00	0.00	0.00	0.00	0.00
ENDING BALANCE (FUNDS - OBLIGATIONS)	\$M	0.00	12.62	5.58	0.06	0.07	0.11	0.10	0.00	0.00	0.00	0.00	0.00	0.00
SQUARE FOOT SCHEDULE (M's) NO GROWTH		50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48
INCOME EXPECTED	\$M	0.00	13.12	13.12	13.12	13.12	13.12	13.12	0.00	0.00	0.00	0.00	0.00	0.00
(TOTAL INCOME NEEDED = 78.75)														
ANNUAL ASSESSMENT RATE \$/SQ. FT.		\$0.00	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL ASSESSMENTS PER SQ. FT.	\$1.56													
PRESENT WORTH AT 8%	\$1.11													

Financing Strategy 3 -- Mid-Range Financing Program

For Strategy 3, the assessment would begin in 1992, with the first collections in December, 1992, and subsequent transfers to the SCRTD beginning in early 1993. Actual cash flow would begin in 1993, and would be supplemented with two medium term bonds. Table 5 shows the actual cash flow that would occur with a \$0.26 per square foot assessment for the first 7 years and \$0.15 assessment for year 8, using the one-half mile walk distance boundary (50.48 million square feet) with no increase in the square footage during the assessment period.

The program would require a medium term bond (eight year) in 1993 for the first \$20 million in construction financing, and a second bond (six year) for \$15 million in 1995, with the remainder to be funded from cash income. The assessment program would be paid off in eight years with an assessment of approximately \$13.13 million for the first seven years and \$7.57 million in the eighth for a total of \$99.45 million. The net present value (1990) is \$62.09 million.

Financing Strategy 4 -- Long-term Bonding Program With No Deferment

For Strategy 4, there would be a series of four bond issues to meet the construction demand schedule, with the first in 1993 and the fourth in 1996. The assessment program would begin in 1992, with the first collections in December, 1992, and subsequent transfers to the SCRTD beginning in early 1993. As shown in Table 6, the rate would gradually increase each of the first four years beginning at \$0.07 per square foot up to \$0.21 per square foot in 1996 and then remain at about \$0.20 per square foot from 1997 through the year 2015.

Table 6 shows the bonding schedule for a non-deferred program beginning in 1993 and ending in 2015, with a total assessment of \$219.59 million. The net present value (1990) is \$80.26 million.

Financing Strategy 5 -- Long-term Bonding Program With Deferred Assessment

For Strategy 5, there would be a series of four bond issues to meet the construction demand schedule, with the first in 1993 and the fourth in 1996. The bonds would need to be large enough to capitalize the interest until the assessment program begins. The program would begin in 1996, with the first collections in December, 1996, and subsequent transfers to the SCRTD beginning in early 1997. As shown in Table 7, the rate under this alternative would be higher due to the deferred payment on the principal, and would be approximately \$0.28 per square foot through the term of the bonds.

Table 7 shows a deferred assessment program beginning in 1997 and ending in 2015, with a total assessment of \$264.01 million. The net present value (1990) is \$84.3 million.

TABLE 5

BONDING MODULE

BENEFIT ASSESSMENT RATE CALCULATIONS
HOS-2 ONE/HALF MILE WALK

FISCAL YEARS	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
PROCEEDS REQUIRED FROM BONDS	\$M	0.0	20.0	20.0	15.0	20.0	0.0	0.0																					
DEBT SERVICE RESERVE FUND	\$M	0.0	0.0	0.0	0.0	0.0	0.0	0.0																					
DISCOUNT FROM PAR	0.00%	0.0	0.0	0.0	0.0	0.0	0.0	0.0																					
COST OF ISSUANCE	2.00%	\$M	0.0	0.4	0.4	0.3	0.4	0.0																					
ADDITIONAL BONDS REQUIRED	\$M	0.0	20.4	20.0	15.3	20.0	0.0	0.0																					
DEBT SERVICE REQUIREMENTS TABLE																													
DEFER BOND INTER	AMOUNT	FISCAL YEAR	DUR (N)	INVEST RATE(I)	DIVIDEND RATE(D)	\$M	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
0	0.0	1992	0	0.1	0.1	\$M	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0	20.4	1993	8	8.0	10.0	\$M	0.0	0.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
0	20.0	1994	1	0.1	0.1	\$M	0.0	0.0	0.0	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0	15.3	1995	6	8.0	10.0	\$M	0.0	0.0	0.0	0.0	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6
0	20.0	1996	1	0.1	0.1	\$M	0.0	0.0	0.0	0.0	0.0	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0	0.0	1997	0	0.1	0.1	\$M	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0	0.0	1998	0	0.1	0.1	\$M	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL=75.714																													
DEBT SERVICE	\$M	0.00	0.00	3.96	23.98	14.38	33.00	28.96	24.75	20.10	15.14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
COVERAGE RATIO	N/A	N/A	3.32	3.32	1.73	1.73	1.73	1.73	1.73	1.73	1.00	N/A																	
DEBT SERVICE RESERVE FUND	\$M	0.00	0.00	3.96	3.96	7.58	7.58	7.58	7.58	7.58	7.58	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ADMIN COSTS INFLATED BY	4.00% /YR	\$M	0.00	0.00	0.50	0.52	0.54	0.56	0.58	0.61	0.63	0.66	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL OBLIGATIONS	\$M	0.00	0.00	8.42	24.50	18.54	33.56	29.55	25.36	20.74	8.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
REV. ANTIC. NOTES, I =	8.00%	\$M			6.30	5.00	19.80	15.90	11.60	7.00																			
BEGINNING BALANCE	\$M	0.00	0.00	0.00	4.71	0.07	0.10	0.06	0.14	0.10	0.09	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INTEREST ON RESERVE FUND	7.80%	\$M	0.00	0.00	0.00	0.31	0.31	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.59
INTEREST ON BALANCE	5.50%	\$M	0.00	0.00	0.00	0.13	0.13	0.00	0.00	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
ENDING BALANCE	\$M	0.00	0.00	4.71	0.07	0.10	0.06	0.14	0.10	0.09	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SQUARE FOOT SCHEDULE (M ² s) NO GROWTH			50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48
INCOME EXPECTATIONS	\$M	0.00	0.00	13.13	13.13	13.13	13.13	13.13	13.13	13.13	13.13	7.57	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(TOTAL INCOME NEEDED = 99.45)																													
ANNUAL ASSESSMENT RATE \$/SQ. FT.			\$0.00	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26	\$0.26	\$0.15	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL ASSESSMENTS PER SQ. FT.	\$1.97																												
PRESENT WORTH AT 8%	\$1.23																												

TABLE 7

BONDING MODULE

BENEFIT ASSESSMENT RATE CALCULATIONS
MOS-2 ONE/HALF MILE WALK

FINANCING STRATEGY V
LONG TERM BONDING PROGRAM
WITH DEFERRED ASSESSMENT

FISCAL YEARS	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018		
PROCEEDS REQUIRED FROM BONDS	\$M	0.0	20.0	20.0	15.0	20.0	0.0	0.0																						
DEBT SERVICE RESERVE FUND	\$M	0.0	4.6	4.1	2.7	3.2	0.0	0.0																						
DISCOUNT FROM PAR	\$M	0.0	0.0	0.0	0.0	0.0	0.0	0.0																						
COST OF ISSUANCE	\$M	0.0	0.8	0.7	0.4	0.5	0.0	0.0																						
ADDITIONAL BONDS REQUIRED	\$M	0.0	38.0	33.3	22.1	26.1	0.0	0.0																						
DEFER BOND INTER	BOND AMOUNT	FISCAL YEAR	DGR (N)	INVEST RATE(I)	DIVIDEND RATE(D)	DEBT SERVICE REQUIREMENTS TABLE																								
5	0.0	1992	25	8.0	10.0	\$M	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
4	38.0	1993	24	8.0	10.0	\$M	-	-	3.8	3.8	3.8	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	
3	33.3	1994	23	8.0	10.0	\$M	-	-	-	3.3	3.3	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	
2	22.1	1995	22	8.0	10.0	\$M	-	-	-	-	2.2	2.2	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7		
1	26.1	1996	21	8.0	10.0	\$M	-	-	-	-	-	2.6	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2		
0	0.0	1997	20	8.0	10.0	\$M	-	-	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
0	0.0	1998	19	8.0	10.0	\$M	-	-	-	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
TOTAL=119.45																														
DEBT SERVICE	\$M	0.00	0.00	0.00	0.00	0.00	0.00	14.56	14.56	14.56	14.56	14.56	14.56	14.56	14.56	14.56	14.56	14.56	14.56	14.56	14.56	14.56	14.56	14.56	14.56	14.56	14.56	14.56	0.00	0.00
COVERAGE RATIO		N/A	N/A	N/A	N/A	N/A	N/A	1.11	1.13	1.11	1.10	1.12	1.10	1.12	1.10	1.11	1.12	1.10	1.11	1.11	1.11	1.11	1.11	1.11	1.10	0.92	-0.07	N/A	N/A	
DEBT SERVICE RESERVE FUND	\$M	0.00	0.00	4.62	8.68	11.37	14.56	14.56	14.56	14.56	14.56	14.56	14.56	14.56	14.56	14.56	14.56	14.56	14.56	14.56	14.56	14.56	14.56	14.56	14.56	14.56	14.56	14.56	0.00	0.00
ADMIN COSTS INFLATED BY	\$M	0.00	0.00	0.00	0.00	0.00	0.00	0.50	0.52	0.54	0.56	0.58	0.61	0.63	0.66	0.68	0.71	0.74	0.77	0.80	0.83	0.87	0.90	0.94	0.97	1.01	1.05	0.00	0.00	
TOTAL OBLIGATIONS	\$M	0.00	0.00	0.00	0.00	0.00	0.00	15.06	15.08	15.10	15.12	15.14	15.16	15.19	15.21	15.24	15.27	15.30	15.33	15.36	15.39	15.42	15.46	15.49	15.53	15.57	1.05	0.00	0.00	
BEGINNING BALANCE	\$M	0.00	0.00	0.00	0.36	1.05	1.97	2.78	3.10	2.93	2.74	3.03	2.79	3.03	2.74	2.93	3.09	2.72	2.83	2.89	2.93	2.94	2.91	2.85	2.75	0.08	0.24	0.00		
INTEREST ON RESERVE FUND	\$M	0.00	0.00	0.00	0.36	0.68	0.89	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	0.00	0.00	
INTEREST ON BALANCE	\$M	0.00	0.00	0.00	0.01	0.04	0.08	0.13	0.16	0.17	0.16	0.16	0.16	0.16	0.16	0.16	0.17	0.16	0.15	0.16	0.16	0.16	0.16	0.16	0.15	0.08	0.01	0.00		
ENDING BALANCE	\$M	0.00	0.00	0.00	0.36	1.05	1.97	2.78	3.10	2.93	2.74	3.03	2.79	3.03	2.74	2.93	3.09	2.72	2.83	2.89	2.93	2.91	2.85	2.75	0.08	0.24	0.00	0.00		
SQUARE FOOT SCHEDULE (M's) NO GROWTH		50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	50.48	
INCOME EXPECTATIONS	\$M	0.00	0.00	0.00	0.00	0.00	0.00	14.64	14.13	13.63	13.63	14.13	13.63	14.13	13.63	14.13	13.63	14.13	14.13	14.13	14.13	14.13	14.13	14.13	14.13	11.61	0.00	0.00	0.00	
(TOTAL INCOME NEEDED = 264.01)																														
ANNUAL ASSESSMENT RATE \$/SQ. FT.		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.29	\$0.28	\$0.27	\$0.27	\$0.28	\$0.27	\$0.28	\$0.27	\$0.28	\$0.28	\$0.27	\$0.28	\$0.28	\$0.28	\$0.28	\$0.28	\$0.28	\$0.28	\$0.28	\$0.23	\$0.00	\$0.00	\$0.00	
TOTAL ASSESSMENTS PER SQ. FT.	\$5.23																													
PRESENT WORTH AT 8%	\$1.67																													

3.8 Assessment Collection

As specified in the enabling legislation, benefit assessments are to be collected by the Los Angeles County Tax Collector. Property owners in a benefit assessment district who are to be assessed will be advised of the assessment amount for that year in the appropriate section of the Joint Consolidated Tax Bill. If benefit assessment districts are implemented prior to the completion of all funding commitments, the assessments could be placed in an account designated for Phase II station construction. This would allow interest to accumulate on the funds possibly reducing the amount of bonds which have to be sold and the total amount to be paid by the property owners. The disadvantages of this option would be the administrative problems and costs involved in refunding of the assessments should other funding commitments not materialize. An alternative to this approach would be to defer implementation of the benefit assessments until all other funding commitments have been secured by a Letter of Intent or equivalent written commitment statement. The option taken will also depend on the financing method chosen by the Benefit Assessment Task Force.

3.9 Appeals

Section 33002.9 of the State Public Utilities code allows any owner or owners of real property to file with the Board a petition requesting that the "real property owned by them ...be excluded from the benefit district..." The procedures currently being used by the SCRTD was initially developed in 1985 to satisfy the requirements of the enabling legislation and to allow any property owner who believed his or her assessment was partially or entirely incorrect to petition SCRTD for either a reduction in assessment or exclusion from the Benefit Assessment District. Types of appeals may include:

- o assessment of exempt uses or parcels
- o incorrect square footage of parcels or improvements
- o floor areas that are vacant due to the requirements of the regulatory codes
- o building efficiency
- o assessment of property not located within an assessment district.

The procedures were developed with recommendations from the MOS-1 Benefit Assessment Task Force and the Los Angeles Community Redevelopment Agency. The process has been revised to cover all cases, and ensure equity, due process, and administrative feasibility. This program includes a five-level appeals review:

1. Staff conference and review,
2. Appeals hearing before a neutral hearing officer,
3. SCRTD Board judgement,
4. Three-party review panel for final appeal, and
5. SCRTD Board Final Judgement.

In the first step of the appeals process, the designated SCRTD staff and petitioner make a reasonable attempt to resolve the appeal. If the appeal is not resolved at this level, the petitioner may then request a hearing before a hearing officer designated by the Board. The hearing officer hears the appeal and makes written findings of fact and conclusions of law. The findings of the hearing officer can be contested by either a petitioner or SCRTD. If the findings are contested, an appeals panel holds a hearing to review the findings of the hearing officer. Acting upon the evidence before it, the appeals panel may accept, reject, return the petition back to the hearing officer for further findings, or amend and accept, as amended, the findings and determination of the hearing officer.

The procedure is one that has worked well, with the majority of cases resolved at the first level of appeal. The appeals process has been established to maximize the opportunity for the appellant and the SCRTD to each present their case.

Since the appeals system is an established process that has been refined to meet the needs of the benefit assessment program, it is recommended that the established Appeals program be expanded to include the Phase II Assessment Program.

Attachment A

ASSESSMENT DISTRICT OUTER BOUNDARY RECOMMENDATIONS

The paper entitled "General Planning Consultant, Boundary Options White Paper" dated December 1988 has been distributed to the Phase II Benefit Assessment Task Force for its consideration. This paper makes the following recommendations regarding establishment of the outer boundary for the Phase II Benefit Assessment Districts:

1. The district boundary be determined by a one-half mile walk distance (2640 feet) from the center of the station.
2. The walk distance be measured along the centerline of the street.
3. Full blocks rather than parcels or block faces be included as whole units (e.g., blocks will not be split by the boundary). Whenever whole blocks are not readily defined, the Assessor's Map Book pages or Assessor's Tax Maps, where appropriate, be used to define the area.
4. Manmade and natural barriers to movement be used as boundaries.
5. A full block be included if more than 50% of any one block face (measured as a linear distance along the street frontage) is within the defined walking distance.
6. A block be excluded if any portion of the block is outside of the one-half mile radius.
7. Internal zones or tiers be considered.

Attachment B

MOS-1 ASSESSMENT STRUCTURE

Assessable improvements for MOS-1 include offices, commercial, retail, hotels and motels. For vacant property and for those improvements not classified as office, commercial, retail, and hotel/motel, the assessment rate for MOS-1 is based solely on parcel area. For example, improvements used for warehousing and industrial activities are not assessed, although the square footage of the land on which these improvements are sited is assessed.

The MOS-1 Benefit Assessment Program did not assess structures (improvements) used for parking. The parcels on which parking structures are located and surface parking lots are assessed on the basis of parcel area. This assessment is based on expected land value increases associated with the Metro Rail System for these properties. Parking square footage that is developed as part of a full development and parking structures that are developed as stand alone structures are treated in the same manner, i.e., the parking improvement square footage is not used in the calculation of assessments.

Annual assessment rates are calculated using either the square footage of the parcel or the square footage of assessable improvements, whichever is greater. Three types of properties are exempt from improvement:

- o residential property except for hotels and motels
- o property both owned and used by a public entity, and
- o property both owned and used as a qualified non-profit organization.

Hotels with long-term residents are classified as residential for that portion of the hotel containing these long-term residents.

For the MOS-1 Benefit Assessment Districts, square footage measurements for parcel area are developed based on tax assessor maps and other public records. For the square footage of improvements, the gross square footage of all assessable structures is calculated based on public records and building plans. At times, field surveys are conducted to fully determine the accuracy of these calculations.

The 1986 assessment rate for MOS-1 was \$0.30 for each assessable square foot of property. The annual rate may be increased or decreased to generate necessary revenues to finance a portion of the construction, but will never exceed \$0.42 per square foot. The SCRTD Board will review the rate every two years and may adjust the rate to reflect changes in assessable square feet within the District or retire the bonds at an earlier date. Assessments for MOS-1 will be terminated once the bonds are retired in the year 2008 or earlier. Total assessments in the CBD and Wilshire/Alvarado Districts will not exceed the amount needed to pay or to finance \$130.3 million in capital construction costs, plus any associated interest, bond insurance and direct program administrative costs.

For MOS-1, the assessments were delayed for five years in recognition of the impacts associated with construction of the system. Since the construction funds are needed during the initial years of the system, this approach requires that the interest on the bonds be capitalized as a result of the assessment deferment for the initial years. For MOS-1, this capitalization of interest accounted for an increase in bonding needs of some \$45 to 50 million.

An assessment appeals process has been established by the SCRTD for the MOS-1 Benefit Assessment Districts. Consistent with the Public Utilities Code, a property owner or his/her legal representative may petition the SCRTD Board, requesting that the property sought to be excluded from benefit assessment.